



Communiqué

de l'Ambassade des Etats-Unis

de presse

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Tuesday, February 19, 2008

Millennium Challenge Corporation Celebrates Fourth Anniversary

On January 23, 2004, the United States established the Millennium Challenge Account (MCA), an innovative new foreign assistance program designed to reduce poverty by promoting sustainable economic growth. The Millennium Challenge Corporation is a U.S. government corporation that was established to administer the account. Ambassador John Danilovich, Chief Executive Officer (CEO) of the Millennium Challenge Corporation (MCC), traveled for the first time to Madagascar in January 2007 to observe how MCA-Madagascar is improving the lives of the Malagasy population with MCC funds. On April 18, 2005, Madagascar was the first country to sign a Compact with MCC. The \$110 million Compact is a comprehensive 4-year program designed to raise incomes by transitioning the rural population from subsistence agriculture to a market-driven economy. The three Compact projects focus on increasing land security, expanding competition in the financial sector, and increasing investment in farms and other rural businesses.

The following are Ambassador Danilovich's remarks in an official ceremony to mark the fourth 4th anniversary during which he highlighted the agency's substantial accomplishments in four short years, and outlined the organization's plans for the future.

"Anniversaries are a time to examine what we have done so that we can outline a course of action to accomplish what remains to be done.

When I think of the impressive body of work MCC has achieved in four short years, I am frankly truly astonished. It is remarkable that what was only a concept in 2004 is bringing positive, tangible results to the lives of the poor in 2008. Today, we are celebrating four years not only of a program but of America's continuing commitment to the poor people progressing toward a future of promise and prosperity.

People like Justine Rasoamanahirana of **Madagascar**. Justine, like most of **Madagascar's** rural population, inherited her land from her parents. Yet, traditional land rights are not registered at land administration offices. As a result, Justine has seen her four land parcels get smaller and smaller, as her neighbors slowly expanded their boundaries. Even though Justine's parcels total less than half a hectare, this land sustains her livelihood of potato and rice farming. After hearing about MCC's land tenure project, Justine set out to secure legal right to her land; and last August, she received certificates to all four parcels. With such security, Justine went to work leveraging her assets, unlocking new and previously inaccessible economic opportunities. She used two of her parcels as collateral for a \$500 micro-loan, which she used to invest in her potato farm. The security on another parcel allowed her to invest in constructing a small house that she now rents. This rental income has been enough to pay the fees to send her children to school and to purchase oxen that her family uses to transport their crops to market. In these ways, Justine's life has been changed significantly for the better. Because MCC's program underscores land ownership, Justine together with her husband and her four children now live a more secure, more productive, more hopeful life.

I am proud of MCC investments like this one in **Madagascar** investments that spark entrepreneurship, empower women, allow children to attend school, secure property rights, create development opportunities throughout the value chain, and impact the lives of many other producers.

This is why Congress created the Millennium Challenge Corporation; and we are doing our work, and doing it effectively. Turning four marks a turning point in the evolution of the Millennium Challenge Corporation.

Like any effective organization, we embrace the opportunity to make our work more efficient. This has required steps that, today, I consider milestones. As friends who closely follow our work, who believe in our mission, and who share our goal of reducing poverty through growth, let me take a moment to recount these evolutionary steps since our creation in 2004.

First, we had to establish the MCC development model and organizational structure. This was a tall order for those first eight employees working out of borrowed offices, and tasked with fulfilling the MCC mandate the reduction of poverty through economic growth.

Then, we had to engage with eligible partner countries to help them develop and, eventually, sign compacts. MCC is a different and demanding form of development assistance; country engagement and compact development were, of necessity, our focus at that early stage. And, we excelled at this, leading to an impressive portfolio of 16 approved compacts with partner countries in Africa, Central America, Eurasia, and the Pacific, totaling \$5.5 billion, and 18 threshold programs with countries worldwide totaling almost \$400 million. In a very short period of time, by any standard, we've come an incredibly long way since our founding, doing what Congress charged us to do.

Now, we are in the process of supporting our partner countries with implementing those compacts. Now, through implementation, results are emerging, and the success of our programs is becoming evident. Early results are already impressive and include issuing land titles, increasing farmer incomes through better agriculture techniques and programs, creating jobs, increasing market access, improving infrastructure, such as seaports, bridges, airports, roads, storage facilities, and irrigation canals, strengthening small-scale fisheries and artisan training, opening health clinics and containing the spread of HIV/AIDS and other diseases, building and operating girl-friendly schools, expanding vocational training, strengthening financial services and access to credit, and improving access to water and sanitation services. Through these efforts, we will see sustainable, measurable, transformative change take root in our partner countries.

Together, we are laying a strong foundation for lasting economic growth; and without that strong foundation, as any of you with experience in the private sector knows, prosperity will not follow.

At four, MCC has evolved from a great concept into a great reality. This vision for innovative development assistance has now been put into practice, and MCC is a tangible reality in partner countries. When the HELP Commission reports that the most effective development assistance supports democratic principles, good governance, country-led development, and economic growth they are speaking of the very way MCC works.

At four, MCC is a groundbreaking way of delivering development assistance that is changing the global conversation about aid effectiveness. We are actually doing what many in the development community agree must be done and others are also now looking at ways of emphasizing performance-based aid.

At four, MCC bundles the best lessons learned in development, and requires sound policy performance and country ownership to reduce poverty through sustainable economic growth. And, we believe that poverty anywhere is a threat to prosperity everywhere. This is why MCC matters to America and to the world. MCC is part of the transformational process of creating a more prosperous, democratic, and secure world.

While some donors have a broader mandate including support through humanitarian aid and important social safety nets MCC's mission focuses on stimulating and sustaining economic growth. Countries with few exceptions that are growing economically also experience more rapid poverty reduction. Our model is built on this relationship poverty reduction through growth and on the promise of expanding economic growth and opportunities in poor countries.

And, as MCC turns four, our priorities reflect a coming of age of sound compact development, of aggressive implementation, and of seeing the initial successful results of those efforts.

Three key priorities will define MCC's work as we move forward. These are the priorities of implementation, empowerment, and results. Let me explain.

First, implementation. MCC has been successful at working with partner countries to develop to create compacts. Now, we must be just as successful at helping partner countries implement them.

We have adopted significant internal reforms to transition from a compact development agency to an agency also dedicated to successful compact implementation. We have reorganized our first-class professional team to fully utilize their expertise and experience to support our partner countries in effectively and efficiently converting investments of U.S. tax dollars into tangible and lasting results for their poor.

MCC's future depends on timely compact implementation, and we have realigned goals, functions, and staff to meet that challenge and better achieve our mission. And, we are doing this without compromising our ongoing commitment to fiscal and procurement accountability, to our gender policy, to accountable monitoring and evaluation, to sound economic underpinnings, and to international best practices for managing social and environmental issues.

Second, empowerment. Successful implementation requires that partner countries, not MCC, lead the process. They must own their development, navigating through the particular challenges of compact development and implementation and, in the end, celebrating their successes as the fruits of their own labors, and not MCC's efforts.

As we pursue these core principles, we are reminded that development is difficult and challenging for the world's poorest countries, especially as they work to build their capacity. We can't do for countries what they aren't ready to do for themselves. This, at times, delays implementation.

But, I'd rather make the extra effort and take the extra time to empower countries to do more for themselves with their own solutions to their own challenges with their own will and with own determination than see MCC step in, do it for them, and be their shortcut. I'd rather empower countries, which, in turn, empower all of their own people men and women side by side to lead their development. This is essential for sustainable economic development.

By raising expectations and by placing responsibility and accountability on the shoulders of our partners, MCC is helping countries help themselves for the long term.

For example, Ghana itself identified the lack of adequately trained procurement specialists as one of its obstacles to successful development. Ghana applies part of its MCC investment toward a procurement capacity-building initiative designed to strengthen the effectiveness of procurement entities to help overcome this particular barrier to development.

We will remain focused on capacity building and ask countries to maintain and improve their policy performance so development can be sustained long after our period of investment ends.

And, third, results. Through implementation and country capacity-building, results in the lives of the poor will continue to materialize and multiply. These results reflect the determination of partner countries to reduce poverty through growth. These results stem from MCC's close coordination with other donors on the ground, like PEPFAR, OPIC, and USAID, to build synergies and work in cooperation, not competition. This cooperation is crystal-clear in MCC threshold programs, usually administered by USAID. Such threshold programs are successfully fighting corruption, strengthening governance, and improving health and education. And, these results validate the funding Congress has provided to MCC so far and justify further funding.

In four short years, we can already point to significant achievements. In Armenia, almost 2,500 participants have been trained in water management to increase agricultural production, of which almost a quarter are women farmers. In **Madagascar**, almost 900,000 documents have been inventoried to enable better land use. The agricultural project there is providing technical assistance to over 7,500 farmers. In Georgia, the first round of emergency repairs to the North-South Gas Pipeline has been completed, improving the long-term security and diversification of the country's gas supply, and providing reliable electricity and heating. In Nicaragua, thousands of farmers and rural entrepreneurs have benefited from technical assistance and business development services. Over 1,200 new jobs will be created as a result of MCC's investment promotion. In Burkina Faso, the MCC threshold program has built 132 new girl-friendly schools and believe me, they are a joy to behold. In Malawi, threshold assistance supports ongoing anticorruption efforts, expands the work of civil society groups, and strengthens independent media coverage. These efforts helped Malawi improve its performance on the control of corruption indicator, now making that country compact-eligible. In Jordan, the threshold program is expanding citizen participation, including the participation of women, in local elections and local government. In the last election, female candidates won 238 seats throughout the country.

These early direct results of MCC investments complement the reforms countries are making to improve political, economic, and social policies. We see Paraguay slash the amount of time it takes to start a business and reduce the minimum capital requirement to do so. We see Lesotho pass a law removing the minority status of women, so that they can now have access to credit, participate in business, and fully engage in economic activities as independent individuals without requiring a man's signature.

Good policies like these are not only the right thing to do but also help create conditions attractive to the private sector. And, private enterprise, ultimately, is the true engine of economic growth. Private-sector engagement is the best way to leverage development assistance to deliver sustainable results. MCC grants open the gateway to such private investment. We will truly be successful in bringing about lasting change as private-sector engagement drives sustainable poverty reduction.

MCC's fourth anniversary is a time of tremendous promise. We have met and conquered our start-up challenges. We have mastered the demands of developing and signing compacts. And, now as we turn four our work will be defined by how effectively we help our partner countries tackle implementation.

We are up to the task. Through our own internal reorganization and ongoing efforts to build capacity in partner countries, we are better positioned today than ever to enhance the speed of implementation and improve the lives of the poor worldwide. The Millennium Challenge Corporation's fourth anniversary marks this moment and sets strategic priorities moving forward.

The 2008 priorities of implementation, country empowerment through capacity building, and results will lead to lasting change, which will be MCC's legacy in years to come. It is a legacy MCC shares with Congress, for having the bipartisan vision for a new approach to development assistance and with American taxpayers, whose compassion and generosity define the spirit and character of America's place in the world.

I thank each of you for taking the time to be here with us today, for your continuing support, and for being an important part of the Millennium Challenge Corporation's and America's historic contribution to eradicating world poverty.

Millennium Challenge Corporation (MCC), a United States government corporation designed to work with developing countries, is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people that promote economic growth and elimination of extreme poverty." For more, visit www.mcc.gov.